

EXHIBIT 31

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Japanese firms plead guilty to controlling auto-parts prices

By Howard Schneider, Published: September 26, 2013

A consortium of Japanese companies used code names and secret meetings to rig bids for dozens of types of auto parts imported to the United States in a decade-long conspiracy that may have cost U.S. consumers hundreds of millions of dollars, U.S. officials announced Thursday.



Unveiling what the Justice Department said is its largest-ever criminal antitrust investigation, Attorney General Eric H. Holder Jr. said nine companies had agreed to plead guilty in the case and pay roughly \$740 million in fines.

The companies included Mitsubishi Heavy Industries, Hitachi Automotive Systems and Mitsubishi Electric. Two executives also pleaded guilty, and one will face a one-year prison term.

Holder described a massive and complex conspiracy as executives conferred in the United States and Japan, sometimes retreating to “remote locations,” to manipulate prices for windshield wipers, radiators, power-window motors and other parts that were sent from overseas to be included in new cars assembled in the United States.

The parts entered the supply chains of almost every major U.S.-based automaker, including Detroit’s Big Three and the U.S. subsidiaries of Japanese firms including Honda, Mazda, Mitsubishi, Nissan, Subaru and Toyota.

Justice Department officials said they could not estimate how much the conspiracy cost consumers. But they said that over as many as 13 years, it affected prices on more than \$5 billion worth of auto parts used in more than 25 million vehicles — or about \$200 per car.

Combined, the companies had enough pricing power to divvy up sales, coordinate bids, and “stabilize and maintain” prices.

Holder described the companies as divided into several “cartels” that “targeted U.S. manufacturing, U.S. businesses and U.S. consumers.”

“Americans paid more for their cars. And American companies . . . were victims,” Holder said of the investigation, which is still ongoing after several years. “As we have uncovered each auto part conspiracy, we have continued to find more and more parts that are involved.”

Including the fines announced Thursday, U.S. officials over the past two years have levied \$1.6 billion in penalties against a total of 20 auto-parts firms and sent 16 executives to jail.

Trade and industry firms and company executives largely declined to comment on the case.

Honda North America released a brief statement saying it expected all of its suppliers “to observe the law.”

The U.S. auto-parts sector has been hit hard in recent years by the spread of auto-supply manufacturing around the world, the ability of auto companies to source parts from an expanding number of countries, and trade restrictions in places such as China that have limited U.S. companies’ ability to export. Once done in house by automakers such as GM and Ford, auto-parts manufacturing was steadily outsourced beginning in the 1990s.

Over the past few years, and particularly since a trade agreement with Canada and Mexico was signed, U.S. auto-parts imports have grown rapidly, topping \$125 billion last year for engines, tires and other components.

Japan has been a major supplier, sending about \$17 billion in parts to the United States last year.

The case comes at a sensitive time in U.S.-Japanese economic relations, as U.S. officials try to further open a Japanese market that is at once rich — the country has the third-largest economy in the world — and considered difficult for important U.S. industries to crack.

Japan recently joined free-trade talks with the United States, but some labor and manufacturing companies worry that those discussions will produce only limited access to a market that has struggled for decades to fully open.

Scott Hammond, deputy assistant attorney general for the antitrust division, said the case “should resonate in boardrooms around the world” and discourage future efforts to manipulate prices.

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